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THE DEMOGRAPHICS OF GEORGIA IV: HISPANIC IMMIGRATION ECONOMIC POLICY ISSUES

The Hispanic population in the state of Georgia has grown rapidly in the last 15 years. The 2000 Census shows that there were 435,000 Hispanics in the state. Many Hispanics moved to the state in search of good economic opportunities. In addition, it is estimated that about half of the total number of Hispanics in the state are undocumented immigrants. This report analyzes the economic implications of the increasing Hispanic population both legal and undocumented. The findings are as follows.

Education

- The number of Hispanic children has risen dramatically in K-12 schools. This has resulted in funding issues for English as a Second Language (ESL) classes.
- Compared to natives, undocumented immigrants (mostly Hispanic) have a very high drop-out rate from high school. Undocumented Hispanics that do graduate from high school face barriers to attend state colleges.
- While additional education expenses are a significant short-term burden, the long-term gains to both

individuals and society produced by improvements in education may outweigh the costs.

Health Care

- About 40 percent of Georgia's Hispanics do not have health insurance versus about 19 percent of non-elderly Georgians (Georgia Health Policy Center, 2005). Undocumented Hispanics have access to emergency Medicaid only which includes child birth labor and delivery.
- Mostly due to labor and delivery care and emergencies the uncompensated costs for some hospitals have risen. However, hospitals do not collect information on the immigration status of their patients. Hence, it has been hard to estimate the degree to which these uncompensated costs arise from undocumented immigrants versus low-income natives without health insurance.
- According to recent legislation, \$250 million per year has been appropriated in the federal budget to be used for payments to hospitals and other emergency care providers over 2005 to 2008. Georgia's share of these funds will be

approximately \$5 million per year. While emergency Medicaid expenditures tripled in Georgia between 2000 and 2002, these expenditures are still a small part of the state's total Medicaid expenditures.

- Improved health care also depends on increasing the dissemination of health care information in Spanish. There are important initiatives in this area.

Labor Market

- According to most studies of immigrants in the U.S., the effect of immigration on employment of natives ranges from no effect to a small negative effect. This negative displacement effect is found mostly in low-skilled occupations.
- The effect of immigrants on the wages of natives depends on how substitutable immigrants are for native workers. In the professional ranks, an increase in the immigrant share can actually *increase* the wages of natives. In the manual labor market, an increase in the immigrant share does reduce wages for natives, but the effect is small.
- The increase in the Hispanic population does not appear to have affected Georgia's unemployment rate in the last 15 years. This would also appear to be the case even in areas where there has been a disproportionate increase in Hispanic immigrants like metro Atlanta, Dalton, and Gainesville.

Financial Services

- Compared to other groups, a large percent of Hispanics do not use the services offered by the financial system such as owning a bank account. Banks view the Hispanic population as a market with significant potential.
- Hispanics are less likely to obtain mortgage or business financing from the financial system compared to other groups.
- The credit constraint on Hispanics will decline over time as bank competition increases, more Hispanics enter into the formal financial sector, and the concentration of the Hispanic population in Georgia increases.

The Fiscal Impact of Immigration

- The fiscal impact of immigrants on governments has been studied in various cities, states, and in the country as a whole. Researchers have used two basic approaches to study this issue. The short-term approach studies the fiscal impact over a narrow time horizon. The long-term

approach studies the fiscal impact of immigrants and their descendants over time.

- For state and local governments, the costliest benefits provided to immigrants are K-12 education, Medicaid, and welfare. The largest collection of taxes comes from the sales taxes, state income taxes, and property taxes. The cost of benefits provided to immigrants exceeds the taxes collected from them for state and local governments in the short-term.
- For the federal government, the costliest benefits are social security, Medicare and Medicaid, but only legal immigrants are eligible for the first two programs. The largest collection of taxes from immigrants is from income taxes and social security taxes. Taxes collected from immigrants may exceed the costs of benefits provided by the federal government in the short-term.
- Hence, in the short-term states and local governments have a negative fiscal balance from immigrants, while the federal government may have a positive fiscal balance.
- Long-term studies find that the fiscal balance of the immigrant plus several generations of descendants may be positive. The key determinants of this are the age and educational level of immigrants and their descendants. The more education the immigrant and their descendants obtain, the larger the positive fiscal balance for all levels of government.
- The guidelines for future studies of the fiscal impact of immigration in Georgia are: First, simple extrapolations from previous studies done for other states or for the country can yield severely misleading results. The reason is the large differences in each state's immigrant population characteristics and eligibility for public services. Second, both short-term and long-term frameworks should be used to obtain a true picture of costs and benefits over several generations as age, education and skill levels change.

Undeniably, the rapid increase in the Hispanic population and the numbers of undocumented workers in particular are associated with increased costs in terms of education, health care, and other government expenses. However, estimating the net effect must take into account short-term and long-term effects. Current investments in education are outweighed by the long-term individual and societal gains. Investments in preventive medical care reduce the long-term health care spending. The fiscal balance of Hispanics is positive if the

analysis accounts for the contributions of future generations, particularly if these generations are well-educated.

The growth of the Hispanic population in Georgia is a fact and will likely continue in the future. Public policy designed to weigh the short-term costs associated with this trend against the potential long-term benefits of investments in health and education can help make this population growth a net benefit for Georgia.

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An Examination of Georgia's Premium Tax. This brief analyzes the effects of changing the structure the insurance premium tax on tax revenues in Georgia. (February 2006)

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